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October 5, 2015

Via Electronic Filing

Public Utility Commission of Oregon
Attn: Filing Center
201 High St. SE
Salem OR 97301

Re: In the Matter of PACIFICORP, dba PACIFIC POWER
2016 Transition Adjustment Mechanism
Docket No. UE 296

Dear Filing Center:

Enclosed for filing in the above-referenced docket, please find the Cross-Answering Brief of the Industrial Customers of Northwest Utilities.

Thank you for your assistance. If you have any questions, please do not hesitate to call.

Sincerely,

/s/ Jesse O. Gorsuch
Jesse O. Gorsuch

Enclosure

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 296

In the Matter of)
)
PACIFICORP, dba PACIFIC POWER)
)
2016 Transition Adjustment Mechanism)
_____)

**CROSS-ANSWERING BRIEF
OF THE INDUSTRIAL CUSTOMERS OF NORTHWEST UTILITIES**

October 5, 2015

I. INTRODUCTION

The Industrial Customers of Northwest Utilities (“ICNU”) respectfully submits this Cross-Answering Brief to the response briefs submitted by Oregon Public Utility Commission (or the “Commission”) Staff, the Citizens’ Utility Board of Oregon (“CUB”), and Noble Americas Energy Solutions LLC (“Noble Solutions”).

II. CROSS-ANSWERING POSITIONS

A. The Commission Should Reject the Company’s Proposed System Balancing Adjustment, as Staff and CUB Recommend

Staff advocates for a reduction to the Company’s net power costs (“NPC”) of approximately \$8 million on an Oregon-allocated basis, in conjunction with Staff’s recommendation that the Commission not approve PacifiCorp’s proposed system balancing adjustment at this time.^{1/} Staff’s proposal is in alignment with ICNU’s recommendation for a \$7.7 million reduction to Oregon-allocated NPC in association with the Commission’s rejection of the Company’s system balancing proposal.^{2/}

Likewise, CUB continues to oppose PacifiCorp’s system balancing proposal on a fundamental level, arguing that the “proposal fails because it conflates rate recovery traditionally reserved for the PCAM [power cost adjustment mechanism] with the TAM [transition adjustment mechanism] forecast, contrary to established, sound ratemaking principles.^{3/} While briefing arguments from ICNU and CUB often key upon different, specific deficiencies in opposing the Company’s proposed system balancing adjustment, collectively CUB and ICNU present the Commission with several persuasive reasons to reject PacifiCorp’s proposal.

^{1/} Staff’s Response Brief at 2:1-8.

^{2/} ICNU Response Brief at 3.

^{3/} CUB’s Response Brief at 2:8-10.

Moreover, CUB’s contention—that the Company “has not cited to authority supporting the use of historical averages when the variable is highly influenced by non-normal conditions, such as weather and hydro”—directly agrees with ICNU’s similar opposition to the Company’s adjustment, on the grounds that it improperly relies “upon historical weather and market anomalies which should not be reflected in a normalized NPC forecast.”^{4/}

Staff also recommends that the Commission open an investigation to allow parties “a complete and thorough opportunity to explore the Company’s proposed modeling changes” in regard to the system balancing issue.^{5/} As ICNU shares significant concerns with CUB regarding the propriety of fundamental components of the Company’s proposal,^{6/} including the lack of any systematic bias between forward and spot market prices that needs “correcting,” ICNU does not believe that a new investigatory docket is necessary if the adjustment is rejected. If the Commission disagrees, ICNU is prepared to fully participate in the investigation.

Staff’s proposal should be adopted in preference to approving the Company’s proposed system balancing adjustment in this docket. A proposed modeling change of such magnitude—both for the upcoming test year, and given impacts extending indefinitely into future TAM proceedings—merits additional study, at the very least. A foundational principle under TAM Guidelines is that “parties to a TAM proceeding should have *a full opportunity* to review, challenge and litigate issues raised in the case.”^{7/} As Staff has explained, however, “it could not understand and verify the price and volume component of the proposed changes *in the*

^{4/} Compare id. at 7:14-15, with ICNU Response Brief at 13.

^{5/} Staff’s Response Brief at 2:5-7.

^{6/} ICNU Response Brief at 3-17; CUB’s Response Brief at 2:8-10.

^{7/} Re PacifiCorp, Docket No. UE 199, Order No. 09-274 at 2 (July 16, 2009) (emphasis added).

time allowed to process this docket.”^{8/} Additionally, CUB’s extensive briefing on the inconsistency of the Company’s proposal in relation to PacifiCorp’s TAM and PCAM also shows that the Company’s GRID modeling adjustment should be rejected.

B. Staff and ICNU Agree that the Commission Should Reject PacifiCorp’s Proposed Outage Modeling Adjustment

Staff supports ICNU’s recommendation to reduce the Company’s NPC by \$0.2 million on an Oregon-allocated basis in conjunction with the rejection of PacifiCorp’s newly proposed outage modeling.^{9/} Both Staff and ICNU agree that PacifiCorp’s proposal would not be beneficial since it would result in an outage pattern not representative of actual Company operations, thereby producing the expectation of more costly outage modeling.^{10/}

ICNU clarifies, however, that Mr. Mullins did not expressly recommend that the Commission set aside the Company’s outage modeling proposal for further study in a generic docket, as Staff states in briefing.^{11/} While ICNU would not oppose further study in a generic docket, Mr. Mullins’ recommendation for “similarly extensive review” for the Company’s proposal—*i.e.*, as afforded in UM 1355, when the current methodology was approved^{12/}—could also be achieved by means other than a generic proceeding, such as a TAM case affording extra process to review significant modeling changes.

The Company mischaracterized ICNU’s position by claiming that “ICNU and Staff” opposed the Company’s outage methodology “based largely on *their* argument that any

^{8/} Staff’s Response Brief at 4:3-4 (emphasis added).

^{9/} Id. at 10:15-11:9.

^{10/} Id. at 10:23-11:1.

^{11/} Id. at 11:1-3.

^{12/} ICNU/100, Mullins/44:18-22.

changes to outage rate modeling *must* occur in a generic investigation like docket UM 1355.”^{13/} ICNU never made such an argument. ICNU argues that PacifiCorp’s outage adjustment should be rejected, but again ICNU will participate in a generic proceeding if the Commission deems it appropriate.

C. CUB and ICNU Agree that PacifiCorp Has Not Carried Its Burden of Proof on Its Proposed EIM Seasonality Adjustment, while Staff Did Not Substantively Address EIM Issues

On brief, CUB concludes that the Company has provided “little evidence to support the idea that 10 months of actual data is enough to forecast EIM benefits for 2016,” adding that forecasts “should be well reasoned.”^{14/} ICNU agrees with this conclusion, which is similar to ICNU’s opposition to the Company’s seasonality adjustment. The Company’s sole reliance upon 10 months of data does “nothing to account for differences between initial EIM results and those that could be experienced in the test period.”^{15/} CUB’s recommendation to defer benefits associated with the Company’s participation in the EIM is one approach; however, ICNU recommends that the Commission adopt ICNU’s EIM benefit forecasts, as sufficiently “well reasoned” and supported by the record.

Staff acknowledges that “EIM Seasonal Benefits” (and “New EIM Participants”) are not among its “primary issues” in this proceeding.^{16/} Nevertheless, Staff has now withdrawn its initial support for ICNU and CUB’s EIM seasonality recommendations, while also electing to

^{13/} PacifiCorp’s Opening Brief at 35:17-19 (emphasis added).

^{14/} CUB’s Response Brief at 16:17-20.

^{15/} ICNU Response Brief at 26.

^{16/} Staff’s Response Brief at 1:14-19.

support the Company's proposed \$0.4 million adjustment for New EIM Participants, in preference to ICNU's recommended \$0.8 million adjustment.^{17/}

ICNU respectfully submits that Staff's newly stated positions should not be given equal weight to those of ICNU and CUB. Effectively, Staff has simply agreed with the Company's representations on these issues, without supporting evidence in the record.

D. Noble Solutions' Proposals Should Be Adopted by the Commission

ICNU has supported the direct access recommendations of Noble Solutions, as reasonable accommodations to the Company's program.^{18/} More particularly, Mr. Mullins stated that Noble Solutions' recommendations, "concerning direct access transition adjustments and opt-out issues, [] appear reasonable and desirable in order to avoid potential draconian results that would not be in keeping with the purpose of Oregon's direct access law."^{19/} ICNU continues to recommend that the Commission adopt Noble Solutions' recommendations, as further clarified by Noble Solutions in briefing.

III. CONCLUSION

PacifiCorp has inflated its power costs in this TAM proceeding at a time in which variable power costs continue to decline. A majority of PacifiCorp's adjustments are based on ill-advised and unwarranted modeling adjustments which should be rejected.

^{17/} Id. at 9:8-10:14.

^{18/} ICNU Prehearing Memorandum at 15.

^{19/} ICNU/200, Mullins/13:6-9.

Dated this 5th day of October, 2015.

Respectfully submitted,

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